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FM AMEMBASSY KUALA LUMPUR  
TO RUEHC/SECSTATE WASHDC PRIORITY 2388  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY  
RUCNARF/ASEAN REGIONAL FORUM COLLECTIVE PRIORITY  
RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION PRIORITY  
RUEHRC/USDA FAS WASHDC PRIORITY  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY  
RUEHGV/USMISSION GENEVA PRIORITY 1673

C O N F I D E N T I A L SECTION 01 OF 02 KUALA LUMPUR 000137

SIPDIS

DEPT FOR EEB/TPP/BTA AND EAP/MTS,  
TREASURY FOR OASIA AND IRS,  
STATE PASS FOR USTR - WEISEL AND BELL,  
STATE PASS FOR FEDERAL RESERVE AND EXIMBANK,  
STATE FOR FEDERAL RESERVE SAN FRANCISCO TCCURRAN,  
USDOC FOR 4430/MAC/EAP/J.BAKER,  
USDA FAS FOR OA/BIG, ITP/AAD,  
COMMERCE FOR 4430/MAC/MICHAEL HOGGE,  
GENEVA FOR USTR

E.O. 12958: DECL: 02/25/2019  
TAGS: [ECON](#) [ECIN](#) [ETRD](#) [SOCI](#) [PGOV](#) [PTER](#) [MA](#)  
SUBJECT: AMBASSADOR MARCIEL,S MEETING WITH MALAYSIAN TRADE  
MINISTER

REF: A. KUALA LUMPUR 122 - 02/20/2009

Classified By: CDA Robert G. Rapson, reason 1.4 (b and d).

¶1. (C) Summary: Minister for Trade and Industry Muhyiddin Yassin told Ambassadors Marciel and Keith February 23 that Malaysia "treasured its relationship with the U.S.", was ready to resume our bilateral FTA negotiations and hoped the Obama Administration would choose to continue the talks as well. Ambassador Marciel pointed out that while President Obama had already spoken out on the importance of trade and the need for all countries to reject protectionism, a specific decision on the FTA would not be made until after the new USTR was confirmed by the Senate. Emphasizing that Malaysia was a country dependent on Trade, Muhyiddin expressed the hope that the WTO Doha round would be revitalized soon and said ASEAN countries would continue work on liberalization efforts within the region in the meantime. Muhyiddin welcomed active U.S. engagement with ASEAN, and said U.S. economic leadership was required to address the current global economic crisis across the full range of trade, monetary and fiscal policy issues. End Summary.

#### FTA and Trade Liberalization =====

¶2. (C) Minister Muhyiddin acknowledged that we have already had eight rounds of FTA negotiations, but said that Malaysia was ready to resume the talks. As a trading nation, Malaysia is concerned about protectionism, and would like to see the Doha round revitalized soon. He assured that in the meantime ASEAN countries would continue the work on liberalization efforts within the region. Ambassador Marciel pointed out that while President Obama had already spoken out on the importance of trade and the need for all countries to reject protectionism, a specific decision on the FTA and our overall trade policy would not be made until after the new USTR was confirmed by the Senate. Our approach on trade might emphasize the Doha Round, regional agreements or bilateral FTA,s, but regardless of the emphasis, President Obama has been clear in his support for free trade. In this light, Malaysia,s readiness to move forward in all areas of the FTA would be important.

¶3. (C) Muhyiddin described the "Buy Malaysian" program by emphasizing that it is just a program to encourage Malaysian consumers to consider Malaysian products. He admitted that "Malaysians mostly prefer imported products, even if some Malaysian products are better." Responding to Muhyiddin,s concerns about "Buy American" provisions in the act, Marciel said that President Obama spoke against the provisions, and that the provisions would be implemented according to WTO rules and our existing trade agreements.

ASEAN summit  
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¶4. (C) On the upcoming ASEAN summit in Thailand, Muhyiddin said that the focus of the meeting will be on ASEAN internal economic issues, and enhancing coordination among member countries. Muhyiddin emphasized the importance of intra-ASEAN trade, and pointed out that trade with ASEAN partners now counts for about 25 percent of Malaysia,s trade, which, he said, reflects ASEAN,s increasing economic importance. He welcomed active U.S. engagement with ASEAN, and reiterated that ASEAN is committed to liberalize markets as much as possible. Marciel noted U.S. support for ASEAN integration through the Secretariat, but also in helping reduce the gap between the wealthy and poor nations through USAID programs. Muhyiddin mentioned that the ASEAN-New Zealand-Australia FTA would be signed, but that the ASEAN-Indian agreement "needs some changes."

Global Economic Slowdown  
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¶5. (C) Muhyiddin said that the trade and investment relationship between the U.S. and Malaysia is extensive and important, and that Malaysia is keen to hear how the U.S. stimulus package will be implemented. Commenting on Foreign Direct Investment (FDI) to Malaysia, Muhyiddin said that FDI is still flowing, especially from Japan, but that it is hard to forecast investment flows. Responding to Muhyiddin,s concerns about potential investment restrictions in the U.S., Marciel noted that there are no limits on outward investment from the U.S., and that many U.S. companies continue investing overseas in the sectors that are not suffering from the recession. Muhyiddin said that Malaysia,s general economic situation is worsening, but so far the GOM has been able to manage with its open economy. He said that it,s difficult to estimate overall growth for 2009, but that he expects manufacturing growth for this year to fall to 0.5 percent or lower. He said that Malaysia,s second stimulus package would focus on the private sector, and that retraining recently laid off employees would be an important part of the package.

¶6. (U) Ambassador Marciel did not have an opportunity to clear this message before departing Malaysia.

RAPSON